

STATE OF WISCONSIN
DEPARTMENT OF HEALTH AND FAMILY SERVICES
DIVISION OF MANAGEMENT & TECHNOLOGY
BUREAU OF FISCAL SERVICES

ACCOUNTING PROCEDURE

TOPIC: Section 13 -- Tax 5.0	EFFECTIVE DATE: 8/22/88
TITLE: IRS Request Information: Interest Payments	REVISION DATE: 3/9/01
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BACKGROUND

The Internal Revenue Service (IRS) now requires all issuers of government obligations to file Form 8038-G (quarterly for amounts over \$100,000) and/or Form 8038-GC (annually for amounts under \$100,000). These government obligations include all lease contracts or installment purchases of capital goods where interest is paid (financing leases).

The Tax Reform Act of 1986 made considerable changes regarding tax exempt state and local government bonds. The tax code now defines a state or local bond as being any **"obligation of a state or political subdivision thereof."** Included in this **IRS** definition are term lease contracts or installment plan purchases of equipment such as copying machines or computer hardware.

The Department of Administration reports information on tax-exempt bond issues; however, DHFS is required to report any financing leases that this agency initiates whether or not the purchase is made from the proceeds of tax-exempt bonds.

PROCEDURES

The Bureau of Fiscal Services (BFS) will summarize the information received into a department report, depending on the amount being financed, and complete the appropriate IRS forms.

<u>Amount of Contract</u>	<u>Reporting Interval</u>	<u>Due Date to BFS</u>
\$100,000 and over	Quarterly	By the 15th of the month following the standard calendar quarter (i.e. April, July, October and January).
Under \$100,000	Annually	By the 15th of January following the end of the calendar year.

In both situations the following information is required:

- Name and address of vendor
- Amount of purchase being financed
- Date of contract
- Length of Contract
- Interest rate

The above information can be found on your lease contract or installment plan contract. **Only the contracts issued during the standard calendar quarter or calendar year, (depending on the amount being financed), should be reported.** The key to IRS reporting is whether or not interest is paid. Keep in mind that interest may be implicit or explicit. Some vendors provide this information; you may have to contact vendors if the information is not known.

Each Division & Fiscal Liaison and each Institution Business Manager should maintain a log of such transactions and submit a copy of this log to BFS for each reporting period. The log may also be of assistance in identifying capital and operating leases under **SECTION 8 -- FIXED ASSETS 3.0 (Leases)**.

Example

A photocopy machine is purchased April 1, 1992 from ABC company for \$5,000.00 with a \$2,000.00 down payment and \$3,000.00 financed over three years.

Report this transaction by January 15, 1993 as follows:

<u>VENDOR</u>	<u>DATE OF CONTRACT</u>	<u>LENGTH OF CONTRACT</u>	<u>INTEREST RATE</u>	<u>AMOUNT FINANCED</u>
ABC Company	4-1-92	3 Yrs.	10%	\$ 3,000.00

Please send the requested information by their respective due dates to:

Thomas A. Smith, Accountant
Special Services & Financial Statements Section
Bureau of Fiscal Services
P. O. Box 7850, Room 655
Madison, WI 53707

This report has no direct relationship to the 1099 informational returns.

REFERENCE

SECTION 8 -- FIXED ASSETS 3.0 (Leases)

CONTACT PERSON

Sally Acuff, Chief
Special Services & Financial Statements Section
(608) 266-9576